

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 L-03 H-01 PA-01

PRS-01 AID-05 CIAE-00 COME-00 EB-07 FRB-03 INR-07

NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02 LAB-04

EPG-02 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 830

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USADB

FOR NAC AGENCIES

E. O. 11652: ADS, DECLAS 6/30/78

TAGS: EAID, EFIN

SUBJECT: COOPERATION WITH OPEC SPECIAL FUND

BEGIN SUMMARY: DURING TENTH ANNUAL MEETING OF ADB BOARD OF GOVERNORS, DIRECTOR-GENERAL OF OPEC SPECIAL FUND HELD DISCUSSIONS WITH SEVERAL DMC DELEGATIONS AND BANK STAFF ON POSSIBLE COOPERATION, USING FULL FACILITIES OF BANK. BANK MANAGEMENT IS NOW SEEKING APPROVAL OF BOARD OF DIRECTORS FOR POSSIBLE COOPERATION BETWEEN FUND AND ADB, IN PARTICULAR FOR BANK TO UNDERTAKE ADMINISTRATION OF COST OVERRUN FINANCING WHICH MAY BE PROVIDED BY FUND FOR NUMBER OF BANK-FINANCED PROJECTS. NAC GUIDANCE IS REQUESTED. END SUMMARY.

1. IN MARCH 1977, OPEC SPECIAL FUND DECIDED TO ALLOCATE \$142.3 MILLION OF ITS RESOURCES FOR FINANCING DEVELOPMENT PROJECTS (OR PROGRAMS) IN 38 DEVELOPING COUNTRIES IN AFRICA, ASIA AND LATIN AMERICA SELECTED ON BASIS OF COUNTRIES' NEED
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IN THE LIGHT OF THEIR ECONOMIC AND FINANCIAL SITUATION. DURING TENTH ANNUAL MEETING OF ADB BOARD OF GOVERNORS LAST APRIL, FUND'S DIRECTOR-GENERAL, DR. IBRAHIM F.I. SHIHATA, HELD CONCRETE DISCUSSIONS WITH SEVERAL DMC DELEGATIONS AND BANK STAFF ON POSSIBLE COOPERATION, USING FULL FACILITIES OF BANK. DR. SHIHATA HAS INDICATED THAT \$72.2 MILLION WILL BE ALLOCATED TO AFGHANISTAN, BANGLA-

DESH, BURMA, INDIA, NEPAL, PAKISTAN, PHILIPPINES, SRI LANKA, THAILAND AND SOCIALIST REPUBLIC OF VIETNAM (SRV).

2. LOANS WOULD BE INTEREST-FREE (SUBJECT TO SERVICE CHARGE OF 0.75 PERCENT PER ANNUM), WITH MAXIMUM MATURITY OF 20 YEARS, INCLUDING GRACE PERIOD CORRESPONDING TO CONSTRUCTION PERIOD OF PROJECT PLUS ONE YEAR. PROCUREMENT FINANCED BY FUND IS NOT TIED TO OPEC MEMBER COUNTRIES. AS SIGNIFICANT AMOUNT OF ITS RESOURCES HAS ALREADY BEEN CONTRIBUTED TO IFAD, FUND GENERALLY PREFERS INFRASTRUCTURE AND INDUSTRIAL PROJECTS. TO MAXIMIZE IMPACT OF ASSISTANCE DURING SHORT PERIOD, FUND PRESENTLY ACCORDS PRIORITY TO CO-FINANCING BY PROJECTS ALREADY APPRAISED AND APPROVED BY OTHER DEVELOPMENT FINANCING INSTITUTIONS WHERE FINANCIAL GAPS REMAIN.

3. FUND INTENDS TO MAKE USE OF EXECUTING AGENCIES OF WORLD-WIDE OR REGIONAL CHARACTER TO APPRAISE AND ADMINISTER DEVELOPMENT FINANCING. IN SUCH SITUATIONS, FUND WILL BE MAINLY CONCERNED WITH POLICY ISSUES AND DECISION-MAKING AS WELL AS GENERAL SUPERVISION OF ADMINISTRATION OF PROJECTS BY EXECUTING AGENCIES.

4. PROVISIONAL UNDERSTANDINGS HAVE BEEN REACHED WITH RESPECT TO POSSIBLE COOPERATION BETWEEN TWO INSTITUTIONS, SUBJECT TO CONFIRMATION BY FUND AND APPROVAL BY BANK'S BOARD OF DIRECTORS. COOPERATION WOULD PRIMARILY BE IN FORM OF CO-FINANCING, AS WELL AS EXCLUSIVE FINANCING BY FUND WITH BANK ACTING AS EXECUTING AGENCY.
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5. FUND HAS INDICATED ITS PRELIMINARY AGREEMENT TO ITS POSSIBLE INVOLVEMENT AS A FINANCIER OF FOREX COSTS OF NUMBER OF PROJECTS IN ELIGIBLE DMCS, INCLUDING FIVE BANK PROJECTS WHERE ADDITIONAL COST OVERRUN FINANCING IS REQUIRED IN AFGHANISTAN, BURMA, PAKISTAN, PHILIPPINES AND SRI LANKA. IN ADDITION, FUND IS EXPECTED TO PROVIDE FINANCING FOR TEA PROJECT IN NEPAL WHICH BANK IS STUDYING AND FOR FISHERIES AND HANDICRAFT PROJECTS IN SRV. ALSO, FINANCING IS TO BE MADE AVAILABLE TO BANGLADESH FOR PROJECTS NOT YET DECIDED. FUND APPROVAL FOR PROJECT FINANCING IS EXPECTED AT AUGUST 1977 MEETING OF FUND'S GOVERNING COMMITTEE.

6. BANK HAS INDICATED PROVISIONAL AGREEMENT TO ADMINISTER ABOVE-MENTIONED PROJECTS SUBJECT TO BOARD APPROVAL AND FUND CONFIRMATION. AS WITH ITS CO-FINANCING ARRANGEMENTS WITH COMMERCIAL BANK, ADB WILL NOT CHARGE ANY FEES FOR SUCH COOPERATION. FOR PROJECTS EXCLUSIVELY

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USADB

FOR NAC AGENCIES

FINANCED BY FUND WITH BANK AS EXECUTING AGENCY, BANK
PROPOSES TO MAKE EVERY EFFORT TO SEEK RECOVERY OF ITS
DIRECT AND INDIRECT COSTS. THIS WOULD BE CONSISTENT
WITH BANK'S CURRENT PRACTICE VIS-A-VIS UNDP AND EEC FOR
TA OPERATIONS AND ALSO WITH PROSPECTIVE IFAD COOPERATION.

7. BANK MANAGEMENT RECOMMENDS THAT:

A. SUBJECT TO FUND CONFIRMATION, BOARD APPROVE PRO-
VISIONAL UNDERSTANDING OF COOPERATION BETWEEN FUND AND
ADB;

B. SUBJECT TO FUND CONFIRMATION, BOARD AUTHORIZE
BANK TO ADMINISTER FUND'S FINANCING OF COST OVERRUNS
MENTIONED IN PARA. 5 ABOVE;

C. FOR NEW PROJECTS IN NEPAL AND SRV, EACH PROPOSED
PROJECT WILL BE SUBMITTED TO BOARD FOR APPROVAL OR
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INFORMATION ACCORDING TO WHETHER BANK FINANCING IS INVOLVED OR NOT, WITH ADDITIONAL PROVISION THAT INFORMATION PAPERS MAY BE INCLUDED IN BOARD AGENDA FOR DISCUSSION SHOULD ANY BOARD MEMBER SO REQUIRE WITHIN WEEK OF SUBMISSION OF BOARD PAPER; AND

D. FOR PROJECTS EXCLUSIVELY FINANCED BY FUND WITH BANK AS EXECUTING AGENCY, BANK WILL MAKE EVERY EFFORT TO SEEK RECOVERY OF DIRECT AND INDIRECT COSTS INCURRED BY BANK FOR SERVICES RENDERED. WHETHER OR NOT BANK SUCCEEDS IN SUCH RECOVERY FROM FUND, BOARD WILL BE DULY ADVISED THROUGH BOARD PAPER FOR PROJECT CONCERNED.

8. ADB DOC. R57-77 ON ABOVE SUBJECT WAS POUCHED JUNE 6 AND WILL BE CONSIDERED BY BOARD JUNE 23. NAC GUIDANCE IS REQUESTED. USADB COMMENT: AN ATTRACTIVE ASPECT OF PROPOSED ARRANGEMENT IS OPEC PLAN TO FINANCE FIVE ADB COST OVERRUNS AMOUNTING TO \$19.1 MILLION. MAIN ISSUE REVOLVES AROUND REQUEST OF DIRECTOR-GENERAL THAT BANK REFRAIN FROM CHARGING FUND OR GOVERNMENT CONCERNED FOR SERVICES RENDERED BY BANK IN CASE OF PROJECTS EXCLUSIVELY FINANCED BY FUND WITH BANK ACTING AS EXECUTING AGENCY. BELIEVE BANK IS DOING ALL IT CAN IN THIS REGARD PER PARA. 7 (D) ABOVE.
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Message Attributes

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Disposition Approved on Date:
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Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Secure: OPEN
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TAGS: EAID, EFIN, ADB
To: STATE
Type: TE
vdkgvkey: odb://SAS/SAS.dbo.SAS_Docs/3c9cbf83-c288-dd11-92da-001cc4696bcc
Review Markings:
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22 May 2009
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